

From: Stephanie Heller/FRS

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Sent: Sep 30, 2008 08:56:11

To: ""Robert M Macallister"" <Robert.M.Macallister@chase.com>

Cc: ""michael p santomassimo"" <michael.p.santomassimo@jpmchase.com>; Patrick McArdle/NY/FRS@FRS; Robert Amenta/NY/FRS@FRS; ""Robert T Colleran"" <Robert.T.Colleran@chase.com>; Sean O'Malley/NY/FRS@FRS; Shari Leventhal/NY/FRS@FRS; ""stephen m cutler"" <stephen.m.cutler@jpmorgan.com>; Thomas Baxter/NY/FRS@FRS

Bcc: ""michael p santomassimo"" <michael.p.santomassimo@jpmchase.com>; Patrick McArdle/NY/FRS@FRS; Robert Amenta/NY/FRS@FRS; ""Robert T Colleran"" <Robert.T.Colleran@chase.com>; Sean O'Malley/NY/FRS@FRS; Shari Leventhal/NY/FRS@FRS; ""stephen m cutler"" <stephen.m.cutler@jpmorgan.com>; Thomas Baxter/NY/FRS@FRS

Subject: Re: Confidential- Activity on September 18

Great. Bottom line I think is that we have committed to going through the Sept 18th transaction to identify the degree to which the securities pledged to FRBNY under the three programs on the night of Sept 18th were sent (and retained) by Barclays and to identify which, if any, of those securities were sent by Lehman/Chase and DK'd back that night.

Sent from my BlackBerry Handheld.

----- Original Message -----

From: Robert.M.Macallister

Sent: 09/30/2008 08:45 AM AST

To: Stephanie Heller

Cc: ""michael p santomassimo"" ; Patrick McArdle; Robert Amenta; ""Robert T Colleran"" ; Sean O'Malley; Shari Leventhal; ""stephen m cutler"" ; Thomas Baxter

Subject: Re: Confidential- Activity on September 18

Absolutely. It will probably help to get our people who have been reconciling the numbers on the phone with Sean so we understand exactly what you need and the best way to present it to you.

Stephanie.Heller@

ny.frb.org

To

09/30/2008 08:40 ""Robert M Macallister""

AM

cc

""michael p santomassimo""

m>, Patrick.McArdle@ny.frb.org,

Robert.Amenta@ny.frb.org, ""Robert T Colleran""

, Sean.O'Malley@ny.frb.org,

Shari.Leventhal@ny.frb.org,

""stephen m cutler""

, Thomas.Baxter@ny.frb.org

Subject

Re: Confidential- Activity on
September 18

Great. I am out for the Jewish holiday as is Shari. If the answers are too difficult to communicate by e-mail can you please reach out to Sean O'Maley who is heading up the review. Sean will e-mail his number to you.

Sent from my BlackBerry Handheld.

----- Original Message -----

From: Robert.M.Macallister

Sent: 09/30/2008 08:12 AM AST

To: Stephanie Heller

Cc: michael.p.santomassimo@jpmchase.com; Patrick McArdle; Robert Amenta;

Robert.T.Colleran@chase.com; Sean O'Malley; Shari Leventhal;

stephen.m.cutler@jpmorgan.com; Thomas Baxter

Subject: Re: Confidential- Activity on September 18

Our team is working on answers to your questions. We will be able to discuss this morning.

Stephanie.Heller

@ny.frb.org

To

09/29/2008 08:33 Robert.M.Macallister@chase.com

PM cc

michael.p.santomassimo@jpmchase.com,

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Shari.Leventhal@ny.frb.org,

Thomas.Baxter@ny.frb.org

Subject

Re: Confidential- Activity on

September 18

Thanks for sending the attached. Obviously this is a lot to sort through and we have a limited amount of time. I have asked some of our investigators to help go through these transactions. To aid in that review let me just ask a few clarification questions. First, I was under the impression that these should all be transactions (delivers or receives) involving LBI and not the other entities that seem to be identified in the spreadsheet. Is that your understanding as well -- these were securities pledged by LBI to FRBNY. If so, obviously that will help cut down the number of transactions we need to go through.

The first file shows deliveries to and receives from Lehman's DTC accounts as well as deliveries to and receives from Bank of New York Mellon as BarCap's clearing bank for FBE securities. I am somewhat confused by the first chart.

Column A shows whether the movement was over DTC or Fedwire (and when you refer to FBE you mean Fedwire Bookentry securities).

Column B shows Act -- I am reading these to all be some Lehman entity is that correct? As noted above, I had thought the account would have been LBI on your books since it was the broker dealer LBI that had pledged to us. Can we eliminate any of these account names.

Column H shows counterparty -- there I see the 0074 account which I know to be a Lehman account on DTC. I am not familiar with the 0636 account number -- what is that one and can we rule it out?

Also column J shows settle time. Since these movements did not start until after the first \$5 billion Fedwire payment from Barclays to Chase/Lehman I would also think that any securities settlement before that time are not relevant here (so basically any movements before 12:15pm. I also know that the majority of the settlements happened both on Fedwire and DTC after 6:30 (18:30) because that is when the bulk of the money moved. (not sure this really helps us limit the review)

Finally, I have not heard about DK problems on Fedwire and my own research of the Fedwire records that day did not reveal DKs involving Barcap back to LBI. Your second file seems to support this view. If so, then we should not need to review the ""receives"" (column D) on the first chart -- do you agree? We can look to the second chart for DKs.

Obviously I am trying to determine what is noise on this chart. Can you provide your views please.

Column H of the second file shows receives from Lehman's DTC accounts of CUSIPS that were previously delivered to Lehman's DTC accounts on September 18 (DKs).

I cannot see a way to focus the review of this chart -- it looks like we will need to go CUSIP by CUSIP to see if these were on the pledge list. Do

you see any way to narrow the review?

Robert.M.Macalli
ster@chase.com

To
09/29/2008 07:46 Stephanie.Heller@ny.frb.org
PM cc
thomas.baxter@ny.frb.org,
stephen.m.cutler@jpmorgan.com,
Robert.T.Colleran@chase.com,
michael.p.santomassimo@jpmchase.com
Subject
Confidential- Activity on September 18

Stephanie: As you requested, attached are files reflecting certain deliver and receive activity in the Lehman clearance account at JPM on September 18. The first file shows deliveries to and receives from Lehman's DTC accounts as well as deliveries to and receives from Bank of New York Mellon as BarCap's clearing bank for FBE securities. Column H of the second file shows receives from Lehman's DTC accounts of CUSIPS that were previously delivered to Lehman's DTC accounts on September 18 (DKs). Please call us with any questions or if you need additional information..

(See attached file: Transaction Detail - 9-18.xls) (See attached file: Cusip Summary 9-18 Recieved DKs.xls)

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whether in electronic or hard copy format. Thank you. [attachment
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""Transaction Detail - 9-18.xls"" deleted by Stephanie Heller/NY/FRS]

[attachment ""Cusip Summary 9-18 Recieved DKs.xls"" deleted by Stephanie
Heller/NY/FRS]